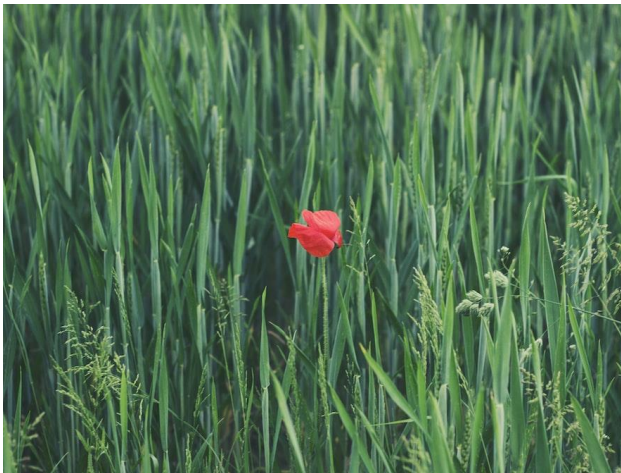


# Climate, Green Tax, and Energy: Reflecting on the UK Spring Budget 2023

March was a busy month for the UK from the perspective of environmental and energy announcements by the government. On March 15, the UK Chancellor announced the 2023 spring budget. Following that, on March 30, the UK government published both their response to the "Review of Net Zero" and the "Powering Up Britain" energy security plans.



**Spring Budget 2023** (FTI Consulting's wider spring budget analysis can be found [here](#).)

## *Tax Depreciation*

- › The 130 percent super-deduction for tax depreciation ended on March 31, 2023. In its place, "full expensing" was introduced for capital expenditures incurred on new and unused main pool plant and machinery assets as of April 1, 2023. For tax purposes, this means that companies can deduct the full cost of qualifying plant and machinery in the year the expenditure is incurred (instead of over a 25-year-plus period), making it one of the most competitive regimes globally. Exclusions apply.
- › The 50 percent first-year allowance for special rate pool assets (e.g., assets with a useful economic life of at least 25 years, plus electrical and mechanical installations) has been extended to March 31, 2026.

- › The 100 percent tax deduction for qualifying expenditures for electric vehicle charging points has been extended to March 31, 2025.

## *Research and Development Tax Incentives*

- › Restrictions on tax credits for R&D activities undertaken outside the UK were pushed back to April 1, 2024.
- › Beginning August 1, 2023, companies will need to submit an "Additional Information Form" with R&D tax relief claims.

## *UK Plastic Packaging Tax*

- › There is a change in the rate of tax, from £200 per tonne to £210.82 per tonne, as of April 1, 2023.

## *Electricity Generator Levy ("EGL")*

- › Final legislation for the EGL will be published as part of the Finance Act 2023, which is currently progressing through Parliament and is expected to receive Royal Assent before Parliament breaks for the summer (draft legislation was introduced on December 22, 2022). Changes include indexation of the benchmark price and rules for joint ventures.

## *Levies and taxes*

- › Aggregates levy: The rate is frozen at £2.00 per tonne for 2023–24.
- › HGV levy: A new reformed levy will be in effect as of August 2023 to reflect the environmental performance of the vehicle. It applies to all HGVs using UK roads.
- › Landfill tax rates will increase in line with the RPI from April 1, 2024.

- › Landfill tax review: The government will continue to engage with stakeholders on aspects of the tax before making further announcements.
- › VAT relief for energy-saving materials will be reformed, considering the inclusion of additional technologies.

#### Announcements outside of tax:

##### *Great British Nuclear (GBN)*

- › Nuclear energy is being included in the green taxonomy to encourage private investment.
- › In 2023, GBN will launch the first competition for small modular reactors to address constraints in the nuclear market and support new nuclear projects.
- › Large gigawatt-scale nuclear projects are also being considered.

##### *Climate Change Agreement*

- › The Climate Change Agreement has been extended for an additional two years to support greater energy efficiency.
- › The extension means it will be open to new entrants in currently eligible sectors.
- › The buy-out price for CO<sub>2</sub>e has been raised to £25 per tonne.

##### *Carbon Capture, Usage, and Storage ("CCUS")*

- › There will be up to £20 billion of government funding for CCUS's early deployment.
- › The UK government will introduce legislation to establish the tax treatment of payments into decommissioning funds relating to repurposing oil and gas assets for use in CCUS projects.

##### *Energy Price*

- › Energy Bills Discount Scheme – The UK government will provide all eligible businesses and other non-domestic energy users with a discount on high energy bills until March 31, 2024, following the end of the current Energy Bill Relief Scheme. It will also provide businesses in sectors with high levels

of energy use and trade intensity with a higher level of support.

- › The Energy Price Guarantee ("EPG") support for households is extended for three months to June 30, 2023. [It was reduced from £2,500 to £2,074 per year from May 25, 2023.] It is due to rise to £3,000 per year as of July 1, 2023.
- › Energy Bills Discount Scheme – There will be support for domestic heat network consumers on non-domestic contracts who do not benefit from the EPG.

#### Energy Review of Net Zero

In September 2022, the UK government sought an independent review of its Net Zero plans and progress towards meeting them. Former Energy Minister, the Rt Hon Chris Skidmore, held round-table meetings with industry and government alongside a public Call for Evidence to gather insights to form the basis of its findings. These were published in December 2022 and included 129 recommendations to "turbocharge" the nation's climate action, including the financing strategy and changing regulations for emerging Net Zero technologies to enable their rapid and safe introduction.

More information can be found [here](#).

In summary, the review concluded that Net Zero is the growth opportunity of the 21st century, but that decisive action is required if it is to be delivered by 2050.

The government's response published on March 30 specified actions responding to each of the recommendations. A new government department, the Department for Energy Security and Net Zero ("DESNZ"), is responsible for ensuring the security of the nation's energy supply, encouraging greater energy efficiency, and ensuring the UK is on track to meet its legally binding Net Zero commitments.

Key actions include **delivering new nuclear and carbon capture projects** as well as **increasing hydrogen production** and **the capacity of offshore wind**. These ambitions will be supported, among other things, by tax incentives

(including those announced in the spring budget as highlighted above), government spending, and international cooperation.

### Powering Up Britain

Powering Up Britain<sup>1</sup> is the government's Energy Security Plan for the future of energy in the UK. The plan reads in conjunction with the Net Zero plans for a transition to clean energy. Its focus is to diversify, decarbonize, and domesticate energy production by investing in renewables and nuclear, in addition to new technologies like CCUS, hydrogen, and floating offshore wind farms.

Decarbonizing air and road transport is a focus, with incentives to drive supply chain development. Consultations are in place for a zero-emission vehicle mandate for manufacturers and for investment in electric vehicle charging infrastructure. A mandate for sustainable aviation fuel uptake in the UK is to be introduced in 2025.

The updated 2023 Green Finance Strategy<sup>2</sup> positions the UK in the global green finance market to support the investment needed to reach targets. It also sets out a plan for the UK to become the world's first Net Zero-aligned financial centre.

To achieve the levels of private sector investment required, the government is committed to ensuring the UK's tax system is one of the most competitive among the world's major economies. The introduction of the 130 percent super-deduction and full expensing, as well as increased tax reliefs for R&D-intensive small and medium enterprises, are aligned with this purpose.

In addition, long-term policy certainty, together with agile and smart regulation to drive investment, will be implemented. Revenue models, financing mechanisms, and market frameworks will be applied through Contracts for Difference and business models for hydrogen and

CCUS in order to provide investors with confidence in the level of returns available.

### Summary

These announcements demonstrate the UK government's intent on meeting its net zero commitments while providing energy stability, and we expect further support for businesses in these areas in the future. At this time, there is limited reference made to new taxes and levies to drive behaviour apart from through the capital allowances regime, although these are not solely targeted at the energy sector.

We will have to wait to see what, if any, new taxes and levies are introduced to either encourage or penalise certain behaviours.

---

<sup>1</sup> Information taken from the HM Government report entitled "Powering Up Britain" which can be found [here](#).

<sup>2</sup> Information taken from the HM Government report entitled "Mobilising Green Investment – 2023 Green Finance Strategy" which can be found [here](#)

**Authors**

---

**Richard Turner**

United Kingdom  
FTI EMEA Tax  
Senior Managing Director  
richard.turner@fticonsulting.com  
<https://www.fticonsulting.com/emea>

**Suzanne Alcock**

United Kingdom  
FTI EMEA Tax  
Managing Director  
[suzanne.alcock@fticonsulting.com](mailto:suzanne.alcock@fticonsulting.com)  
<https://www.fticonsulting.com/emea>

**Lucy Healy**

United Kingdom  
FTI EMEA Tax  
Senior Director  
lucy.healy@fticonsulting.com  
<https://www.fticonsulting.com/emea>

**Editorial Team**

---

**Weronika Żurawska**

[weronika.zurawska@wts.com](mailto:weronika.zurawska@wts.com)  
WTS Global

**THE CLIMATE PROTECTION, GREEN TAX & ENERGY HUB**

---

The WTS Global Mindset Hub on Climate Protection, Green Tax & Energy consists of dedicated tax experts from WTS Global

specialised in excise duties, energy taxes and green taxation.

The Mindset Hub monitors and discusses developments at EU level and in the individual states. The findings and lessons learned from the international exchange are regularly published in practice-oriented publications.

**About WTS Global**

---

With representation in over 100 countries, WTS Global has already grown to a leadership position as a global tax practice offering the full range of tax services and aspires to become the preeminent non-audit tax practice worldwide. WTS Global deliberately refrains from conducting annual audits in order to avoid any conflicts of interest and to be the long-term trusted advisor for its international clients. Clients of WTS Global include multinational companies, international mid-size companies as well as private clients and family offices.

The member firms of WTS Global are carefully selected through stringent quality reviews. They are strong local players in their home market who are united by the ambition of building a truly global practice that develops the tax leaders of the future and anticipates the new digital tax world.

WTS Global effectively combines senior tax expertise from different cultures and backgrounds and offers world-class skills in advisory, in-house, regulatory and digital, coupled with the ability to think like experienced business people in a constantly changing world.

For more information please see: [wts.com](https://wts.com)

**Imprint**

WTS Global  
P.O. Box 19201 | 3001 BE Rotterdam  
Netherlands  
T +31 (10) 217 91 71 | F +31 (10) 217 91 70  
[wts.com](https://wts.com) [info@wts.de](mailto:info@wts.de)

The above information is intended to provide general guidance with respect to the subject matter. This general guidance should not be relied on as a basis for undertaking any transaction or business decision, but rather the advice of a qualified tax consultant should be obtained based on a taxpayer's individual circumstances. Although our articles are carefully reviewed, we accept no responsibility in the event of any inaccuracy or omission. For further information please refer to the author.